

Message Text

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ACTION EA-09

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FM AMEMBASSY MANILA

TO USDA/FAS/WASHDC

INFO SECSTATE WASHDC 7679

UNCLAS MANILA 13210

FOR RESHOAR/TRADE OPERATIONS DIV AND HODGES/TOB/FMD

SUBJECT: SUSPENSION OF TOBACCO MIXING REGULATION

REF: FASTO 145

TOFAS 152.

1. THE MIXING REGULATION REFERRED TO IN REFTEL IS THE SO-CALLED "FOUR TO ONE" REQUIREMENT IMPOSED UNDER PRESIDENTIAL DECREE NO. 62, NOV. 20, 1972. THE DECREE ALSO ESTABLISHED AN IMPORT QUOTA OF 5 MILLION KILOS. THE DECREE WAS APPLICABLE TO VIRGINIA TYPE LOCAL GROWN FLUE-CURED TOBACCO.

2. THE DECREE REQUIRED THAT LOCAL CIGARETTE MANUFACTURERS PURCHASE 4 KILOS OF LOCAL GROWN VIRGINIA TYPE FLUE-CURED TOBACCO IN ORDER TO GAIN IMPORT RIGHTS FOR 1 KILO OF ANY UNMANUFACTURED LEAF. ALSO SEE PH5019 OF MAY 5, 1975, PARTICULARLY SECTION ON TARIFFS AND BARRIERS.

3. PD. 754 OF JULY 28, 1975 OFFICIALLY ABOLISHES THE "4 TO 1" REQUIREMENT ALTHOUGH IT HAS NOT BEEN USED SINCE JUNE OF 1973 WHEN PVTA STOCKS WERE DEPLETED. ADDITIONALLY THE CHANGED LOCAL AND WORLD S&D SITUATION FOR FLUE-CURED TOBACCO HAD MADE THE "4 TO 1" REQUIREMENT UNNECESSARY FROM A PVTA VIEW POINT.

4. P.D. 754 INCREASED THE IMPORT QUOTA TO 6 MILLION KILOS. YOU SHOULD NOTE THAT THE PHILIPPINES IMPORTED 7,947 METRIC TONS IN
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1973-74. THERE IS A CAVEAT IN THE DECREE WHICH STATES THAT

IMPORTS WILL BE LIMITED TO 6 MILLION KILOS UNLESS THE EXIGENCIES OF THE INDUSTRY REQUIRE OTHERWISE. THE DECREE ALSO STATES THAT PVTA DECIDES WHEN IMPORTS ARE NEEDED FOR BLENDING TO IMPROVE THE QUALITY OF LOCAL CIGARETTES AND CAN AUTHORIZE IMPORTS ACCORDINGLY. THEREFORE, IMPORT ALLOCATIONS CAN BE STOPPED AT LESS THAN 6 MILLION KILOS. THE AGATTACHE REVIEWED THESE POINTS WITH MR. MARIO E. SISON, ASSISTANT TO THE GENERAL MANAGER OF PVTA AND HE AGREES THAT, IN PRACTICE, THE ESTABLISHED IMPORT QUOTA IS RELATIVELY MEANINGLESS. PVTA AUTHORIZES IMPORT ALLOCATIONS BASED ON THEIR ASSESSMENT OF THE NEED TO IMPORTS FOR BLENDING PURPOSES.

5. P.D. 754 ALSO PROVIDES THAT THE VALUE FOR DUTY OF IMPORTED LEAF SHALL BE NO MORE THAN PESOS 14.00 PER KILO IRRESPECTIVE OF GRADE AND COST. THE IMPORT DUTY IS 100 PERCENT.

6. A RECENT REVISION IN THE SPECIFIC TAX ORDERED BY P.D. 753 IS DISCRIMINATORY TOWARD U.S. LEAF. THIS REVISED SPECIFIC TAX CONTROLLED BY THE BUREAU OF INTERNAL REVENUE WILL HAVE A GREATER DETRIMENTAL EFFECT ON IMPORTS OF U.S. UNMANUFACTURED TOBACCO THAN THE 100 PERCENT IMPORT DUTY, THE "FOUR TO ONE" REQUIREMENT, AND THE IMPORT QUOTA COMBINED (SEE PH5040, SEPT. 15, 1975).

7. IMPLEMENTING DECREES FORWARDED BY POUCH.

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NNN

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